

Top Secret

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SOUTHEAST ASIA: Eight new refineries exclusively producing pure white heroin have gone into operation in the Thailand-Burma-Laos border region since the beginning of this year

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Production of pure white heroin in the border region had reached at least 7.5 metric tons by the end of May. This figure does not include production from the refineries that were in existence prior to 1971. The flurry of refinery construction apparently reflects the increased demand generated by US servicemen in South Vietnam. The haste with which some of the new refineries were put into operation, as well as a shortage of experienced chemists, reportedly has led to quality control problems. Some initial output, judged unsuitable for export, has been dumped in local markets.

Accelerated shipments of raw opium out of northeast Burma into the triborder refining area also reflect expectations of local narcotics traffickers that the demand for heroin is increasing. They also reflect efforts to build up stocks in anticipation of US pressure to suppress the trade. By the end of June, about 300 tons of opium had been delivered to the triborder area compared with a known total of 123 tons for all of 1970.

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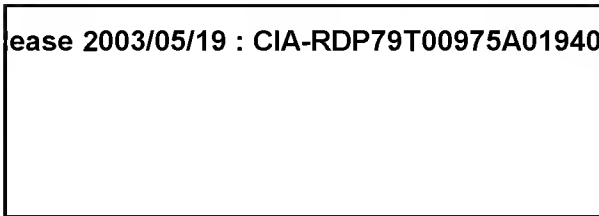
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PANAMA: A Panamanian negotiator has reportedly evinced pessimism about the success of canal treaty negotiations with the US.

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the Panamanian policy was one of "all or nothing" and [] if the US did not accept Panamanian demands the negotiators would return home without a treaty.

The adoption of such an approach was partly authenticated by the Panamanian negotiators' statements at their press conference before leaving for the US. They said that their paramount objective was the reacquisition of jurisdiction over the Canal Zone and emphasized that if the US would not cede jurisdiction there would be no treaty.

Torrijos may believe that the mere threat of breaking off negotiations will prompt the US to make greater concessions. He may also think that a well-publicized confrontation with the US would ultimately yield more than quiet diplomacy. If negotiations are actually broken off, Torrijos would attempt to arouse anti-US sentiment in Panama and might dramatically announce Panama's unilateral renunciation of the 1903 treaty. In addition, he might seek to bring the Panamanian case before the UN or the OAS.

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